

RENTING VS. HOME OWNERSHIP

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Several years ago the question of whether to rent or buy housing usually involved three choices: rent an apartment, rent a house or buy a house. The ultimate goal of families has been home ownership. However, the influence of increased mobility, new life styles, environmental awareness, and changes related to social and economic status presently determine our housing choices.

Choices today are far greater than those three. An individual or family may choose to own a conventional house or may own a single apartment in a cooperative or condominium. Buying choices also include modular houses, townhouses or row-houses, houses that are built in clusters (with common green open spaces) or built so that they are separated from other houses by individually owned yard or garden areas.

How do you choose? Should you rent or buy to secure appropriate housing to meet your needs? Use this fact sheet to help you determine whether you should choose home ownership or rental, and to understand the advantages and disadvantages of each.

HOME OWNERSHIP

Home ownership may be the method you should utilize to secure appropriate housing to meet your needs. If you decide to buy and/or remodel an existing house, your choices include new houses (maybe modular, mobile, or componentized), older houses, and cooperatives and condominiums, including apartments and townhouses.

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- *New homes* offer the opportunity to design a house to meet your specific desires and needs and to build on a site of your choosing.

- *Older homes* usually offer established neighborhoods with conveniences nearby. They may offer more space for the money, but frequently require repair or remodeling.

- *Cooperatives* are a form of home ownership with many of the advantages of renting. The buyer purchases and receives stock in the corporation which runs the apartment building where he has selected an apartment. The amount of stock depends on the value of the apartment purchased. The buyer then gets a proprietary lease giving exclusive right of possession of the apartment purchased. Like any other homeowner, members of a



cooperative are responsible for taxes, maintenance, repairs, and all of the other costs that go with home ownership. A monthly amount, usually called a maintenance fee, is paid by the apartment owner to cover these costs. The corporation employs individuals or companies to manage the building and grounds and to arrange for necessary repairs and improvements. A cooperative has a major advantage over other apartments since the owners have a voice in its management. However, an apartment cannot be sold without consent of the corporation.

- *Condominiums* are buildings in which individuals own units, and can sell the unit without approval of the other owners. The ownership of land, driveways, and other areas are owned in common by all of the tenants. The condominium owner pays a fee to cover the cost of maintenance, and also pays real estate taxes. Each person has a vote in proportion to the original value of the unit or units he owns. A condominium may be an apartment building, a complex that includes apartments and townhouses, or single family houses.

- *Townhouses* are homes built in rows sharing common side walls. They may be individually owned, as a condominium or cooperative, or rented. Their design includes a separate front entrance and a private front yard. Designs may also include a front or back yard that is walled, fenced or screened for privacy.

- *Mobile homes* are transportable structures exceeding 8 feet in width or 32 feet in length which are built on a chassis and designed to be used as a dwelling, with or without a permanent foundation when connected to the required facilities. In addition, there are double-wide mobile homes and expandable mobile homes.

Consider Home Ownership When These Conditions Exist:

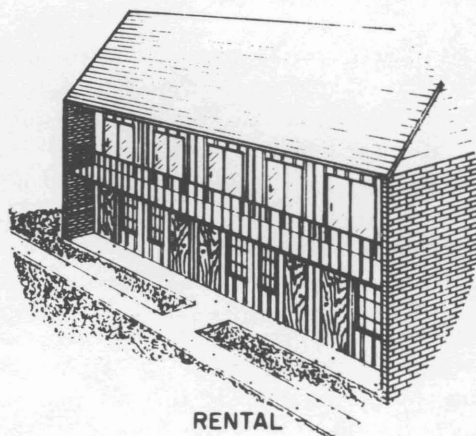
- You can realistically estimate future housing needs.
- You know where you can and want to live for a number of years.
- Prices of homes are stable or increasing.
- You have money enough to cover necessary expenses involved in building, buying and/or remodeling a home, including repairs, maintenance and insurance.

- You find market conditions are favorable for materials, labor and construction costs.
- You have enough money for a down payment.
- You are willing to accept the responsibilities of home ownership.

RENTING

You could consider renting to secure appropriate housing to meet your needs. There is a variety of rental choices including apartments, duplexes, quadraplexes, townhouses and individual houses.

Apartment rental living consists of a tenant paying for the use of a living unit. The landlord or management generally cares for all utilities, yard and grounds, decorating and maintenance. In addition, management may furnish furniture, major appliances, laundry facilities and other amenities. Utility payments may be included in the rent.



The rental situation would be similar for duplexes, quadraplexes and townhouses. However, utilities may not be included in the rent and in certain cases, tenants take care of the yard, sidewalks, heating and some maintenance.

Renting a house may mean that you, the tenant, are responsible for routine maintenance of the yard and sidewalks and some interior maintenance, also. In addition, the tenant normally pays the utilities.

**Consider Renting
When These Conditions Exist:**

- You cannot realistically estimate future housing needs.
- You want to become familiar with a new community before investing in a home.
- You expect to move soon and/or frequently.
- You do not have the money for a substantial down payment on a home.
- You do not have enough money to cover the

expenses involved in buying or maintaining a home.

- You do not want the responsibilities of home ownership.
- You want to postpone the cost of furnishing a home.

No one housing choice will continuously meet your housing needs perfectly, if ever. However, with a thorough knowledge of your needs and of the choices available, you can make a wise decision that will enable you to secure appropriate housing for your life style, including your needs and wants and your social and economic situation.

**These Social, Psychological, and Economic Advantages and Disadvantages
Need To Be Considered When You Make a Decision To Rent or Buy**

HOME OWNERSHIP

Advantages of Owning a Home

Economic

1. Safe form of investment — some return of investment may be realized at time of sale of property.
2. Strengthens credit rating — house serves as collateral.
3. Income tax advantage — tax deductions for interest expenditure.
4. Stabilized housing costs — you pay a set amount on mortgage each month.

Psychological and Social

1. Enjoyment, pride, security, satisfactions and independence.
2. Freedom to redecorate or remodel.
3. Privacy more easily attained.
4. Social freedom.

Disadvantages of Owning a Home

1. Maintenance and repair responsibility.
2. Property devaluation — changes in community may cause property to decrease in value.
3. Added expenses — property maintenance, fire, flood and tornado insurance, liability insurance, taxes, costs of credit and other costs involved in making the purchase.
4. Down payment required to make purchase.

RENTING

Advantages of Renting

Economic

1. Lower monthly costs — no maintenance charges, and utility charges generally included in rent at group rates.
2. Controlled housing expenditures — you know exactly what your expenses will be each month.
3. Minimum financial risk — all you can lose is deposit.
4. Minimum responsibility — management generally handles maintenance needs.
5. No down payment is required — however, a deposit against damage may be.

Psychological and Social

1. Recreational facilities.
2. Social activities.
3. More flexibility — a renter is more free to change housing in accordance with changes in income, family size, tastes and interests.

Disadvantages of Renting

1. Apartments not always available.
2. No equity accumulated.
3. Possible unstable housing costs.
4. Pet and cleaning deposits often required.
5. Restrictions — pets and children may be restricted.
6. Limit to improvements — landlord may hesitate to repair and redecorate as tenant desires. Family cannot remodel to meet needs.

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